

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

December 10, 2008

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011

JOSEPH MACKEY, Vermont Retired Teachers Association, term expiring July 1, 2009

THOMAS CANDON, representing Commissioner of BISHCA

ELIZABETH PEARCE, Deputy Treasurer, representing JEB SPAULDING, VT State Treasurer

Members absent:

VAUGHN ALTEMUS, representing Commissioner of Education

Also attending:

Linda Deliduka, Vermont Retired Teachers Association

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board

Bill Rice, Law & Policy Director

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Wednesday, December 10, 2008, meeting to order at 9:55 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of: September 10 and October 29, 2008

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to approve the minutes of September 10 as submitted.

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to approve the minutes of October 29 as amended.

ITEM 2: Discuss/Act on disability retirement for:

Eleanor Woodfield

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Eleanor Woodfield.

ITEM 3: Miscellaneous items:

Update on IRS Determination Letter

Mr. Rice provided an update and distributed forms for Board review. He indicated he believes the system is now in compliance, except that the law changes were late. Mr. Rice

suggested seeking a legislative amendment that would allow the Board "rule making authority" in order to be able to comply with federal regulations as they occur.

On motion by Mr. Mackey, seconded by Ms. Pearce, the Board unanimously voted to approve Mr. Rice's recommendation to file the Voluntary Compliance Program Application and the Determination Letter with the IRS, along with the accompanying fees.

**Update on VSTRS 403 (b) Investment Program/
Review participant enrollment materials.**

Ms. Pearce provided an update on the number of entities (13/9) that are enrolled in the 403 (b) Investment Program, along with the list of workshops that are being provided by Great West.

Mr. Candon requested the Board be updated each month on the VSTRS 403 (b) Investment Program.

Ms. Webster assured the Board that before the participant enrollment materials are distributed Great West's website would be listed on the materials, along with Great West's telephone number.

Update on VPAS project – new computer system

Ms. Pearce provided an update on the VPAS project, indicating the deployment will not happen in December and January as originally planned. She indicated LRS has provided a new Project Manager who is committed to providing a good product. She indicated in January they will discuss a new deployment schedule.

Mr. Harris indicated the Board would take Item 4 after a five minute break. A recess was taken from 11:10 a.m. to 11:15 a.m.

ITEM 4: Discuss Development of FY 2010 retiree medical Premiums with VEHI

Present for this item:

Joseph Zimmerman - VEHI

Mark Hage – VEHI

Michael Clasen – Director of Retirement Operations

Mr. Hage indicated the increase in the retiree medical premiums would be in the range of 0% to 2%. Mr. Zimmerman agreed to send Ms. Pearce the 2007 audit and SA570 when available. Mr. Hage indicated the final rates would come out in early January and he will allow Mr.

Clasen to approve their explanation. There was a discussion about the retirees' wellness program.

ITEM 3 – Continued: Establish frequency for updating PRO factors

This item was addressed at the September 10, 2008 Board meeting.

Discuss method and frequency of VPIC reports

The Board agreed that if there was an urgent matter Mr. Mackey would bring it to the Board's attention. The Board decided they would like Donna Holden to send the VPIC minutes to all the Board Trustees when they are available. Mr. Candon requested to be included in that list, also.

Review Business Conduct Policy dated 2/18/2004

The Board decided they did not need to move on this item as it pertains to investment management conduct.

Clarify definition of *extra curricular* earnings for retirement purposes

Present for this item:

Michael Clasen – Director of Retirement Operations

Laurie Lanphear – Chief Retirement Specialist

Mr. Clasen indicated the current policy requires if there was more than a 10% increase in earnings it must be reported to the Retirement Division. He requested guidance for his staff in dealing with these increases. It was suggested that a list be provided of what activities would be acceptable, and then have the Board review any others. Ms. Webster instead recommended looking at the Statute to see if that could be revised to deal with this situation.

License requirement for teachers in independent schools

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously approved that any teacher currently working in an education position would be grandfathered in, and that any teacher hired after July 2009 would need to be licensed, contingent on results of inquiry on impact of new policy on independent schools.

Mr. Harris called a luncheon recess from 12:35 p.m. until 12:57 p.m.

ITEM 5: Discuss/act on Excess Compensation denial appeals for:

**Guy Egri
James Miller
Nancy Morrie**

Present for this item:

**Guy Egri
James Miller
Nancy Morrie
Jeff Fannon – VTNEA legal counsel for Miller & Morrie**

James Miller

The Board requested further information from Mr. Miller. The Board would like the reapplication to include his base salary, what the project would be, how many hours he will spend on the project, what his hourly rate would be, and the total compensation he will receive.

Nancy Morrie

The Board requested further information from Ms. Morrie. The Board requested additional information concerning her base salary, how many hours she will spend on the project, what her hourly rate would be and the total compensation she will receive.

James Miller, Nancy Morrie and Jeff Fannon left the Board meeting.

Guy Egri

The Board requested further information from Mr. Egri. The Board requested additional information concerning his salary, how many hours he will spend on the project, what his hourly rate would be and the total compensation he will receive.

Guy Egri left the Board meeting.

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously approved to amend the policy for excess compensation to include end of year compensation and accountability, and to notify all affected members of the amended policy.

ITEM 6: Discuss funding for retiree medical insurance

The Board discussed funding for the retiree medical insurance. It was decided there needed to be more discussion in order to arrive at a long-term solution at a future meeting.

ITEM 7: Discuss/act on vacant member representative trustee position

The Board discussed the vacant member representative trustee position. It was agreed that nominations would be brought to the next meeting.

ITEM 8: Review of SDIA investment performance and managers

Present for this item:

David Minot, Director of Finance and Investments

Mr. Minot reconfirmed the need to have two managers at the current time. He agreed to keep the Board updated.

Mr. Minot left the Board meeting.

ITEM 9: Discuss legislative initiatives for 2009

The Board reviewed a list of possible legislative items drafted by Ms. Webster, and took the following actions:

The Board decided to pursue review of the Excess Compensation Policy. Ms. Webster and Mr. Rice are to draft ideas about the policy which can be brought to the next Board meeting.

The Board decided not to pursue Administrative Consulting.

The Board decided not to pursue Retiree Earnings.

The Board decided that Ms. Webster would explore Delegation of Authority further with Mr. Rice.

The Board decided that Ms. Webster would not follow up with the AG's opinion concerning the Disability Review Process this year.

The Board agreed that Ms. Webster would compose a draft for a better Definition of Teacher.

The Board agreed that Ms. Webster would provide the Board with the IRS Definition of Student so that it could be voted on at the next meeting.

ITEM 10: Establish quarterly meeting schedule for 2009

It was discussed that this agenda item would be saved for the next Board meeting. Ms. Webster will email Board Trustees with tentative dates for next year. The next Board meeting will be a conference call on Thursday, January 8, 2009 @ 3:30.

ITEM 11: Any other business

None

ITEM 12: Adjournment

On motion by Mr. Mackey, seconded by Ms. Pearce, the Board unanimously voted to adjourn at 4:17 p.m..

Next Meeting Dates:

The next scheduled VSTRS meeting is Thursday, January 8, 2009 @ 3:30, conference call.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board